July 6, 2023

Second Quarter Update and Outlook

The LSC Model portfolios underperformed the broad S&P 500 index by a wide margin in the second quarter and first half of 2023. Much of the strength in the markets during the periods was focused on technology related companies that rebounded (and then some) from their dismal 2022 performances. During the first half of the year, the FOMC raised interest rates by an accumulated 0.75% to reach a 5.00% to 5.25% targeted range, up from a 0% to 0.25% range just 18 months ago. We believe the reason for the explosive rebound in growth stocks in the first half (companies with above average revenue growth prospects but low-level current earnings) is that investors are enamored with the growth possibilities of new technologies, such as artificial intelligence, and they also believe the Fed will reduce interest rates in the second half of the year, as inflation slows.

We expect an environment of sustained inflation that may surprise investors in the second half of 2023 and into 2024. Higher costs related to deglobalization of supply chains, ongoing U.S. government budget deficits, rising government debt that has to be rolled over at roughly twice the interest rates of just 18 months ago, and U.S. policy of promoting net zero emissions all have a cost that will likely be inflationary for years to come.

					Since Inception	
	2Q23	**1Yr**	**3Yr**	**5Yr**	**May '04**	**Nov '05**
LSC Opportunistic Value Equity (net of fees)	0.0%	10.2%	13.7%	5.1%	6.0%	N/A
LSC Fully Invested Value Equity (net of fees)	0.2%	12.2%	16.6%	5.5%	N/A	7.4%
Morningstar US Value TR USD	3.9%	11.4%	15.8%	8.3%	8.1%	7.5%
S&P 500 Total Return Index	8.7%	19.6%	14.6%	12.3%	9.7%	9.7%
MSCI ACWI Value Total Return Index	3.2%	10.8%	12.6%	5.9%	6.8%	5.9%

**Performance periods greater than 1 year are annualized.*
Reported LSC Strategy returns are net of annual management fees. Index returns do not include an imputed management fee. Client account performance will differ, due to timing, price and/or investment objective considerations. LSC Strategy and benchmark returns include dividends and/or interest.

During the quarter, we purchased additional shares in the ProShares Short S&P 500 fund and the ProShares Short QQQ fund. These funds seek to track the inverse of the daily performance of the S&P 500 Index and the NASDAQ 100 Index, respectively. We believe the current high valuations of these indexes reflect the largest companies that make up both. Remarkably, the eight largest companies in the S&P 500 index rose over 80% on average in the first half of 2023, while the remaining 492 companies were barely positive.

We sold Flex Ltd, a manufacturer of technology and communications products. The stock's performance in recent years has mirrored the buoyancy in demand for tech gadgets at the same time the company has

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commanded a higher valuation for its earnings growth. We also sold Colombia Bank. We expect the fallout from higher interest rates to impact their significant western U.S. real estate portfolio of loans.

The investing environment we foresee will put pressure on all parts of the investment cycle including new company formation that depends on cheap capital; initial public offerings and debt raises that depend on optimistic and flush investors; and leveraged private equity strategies that depend on low interest rates and overall rising valuations. We believe the second half of 2023 will mirror the experience of the first half, whereby low-priced value companies will outperform their expensively priced growth company peers, as they did in 2022.

Sincerely,

Lesa A. Sroufe, CFA
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The information provided in this report should not be considered a recommendation to purchase or sell any particular security. There is no assurance that any securities discussed herein will remain in an account's portfolio at the time you receive this report or that securities sold have not been repurchased. The securities discussed do not represent an account's entire portfolio and in the aggregate may represent only a small percentage of an account's portfolio holdings.

It should not be assumed that any of the securities transactions or holdings discussed were or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein.

Upon request, LSC will furnish a list of all recommendations made since inception, this list shall include the name of each security, date and nature of each such recommendation, market price at the time of each recommendation, price at which the recommendation was made and price it was to be acted upon, and market price of each security as of the most recent practicable date.

Lesa Sroufe & Company claims compliance with the Global Investment Performance Standards (GIPS). To obtain a compliant presentation as well as a list of composite descriptions, please email: info@sroufeco.com.

Definition of Firm: Lesa Sroufe & Company (LSC) is an SEC registered, Seattle, Washington based firm. LSC is a women-owned investment management company that specializes in the selection and management of securities that are deemed to be undervalued. The firm's investment philosophy is top-down, value oriented and often contrarian. LSC seeks securities that are deemed out-of-favor with mainstream investors and are priced under their potential fair value. LSC manages money for institutions and private clients.

Composite Definitions:
Opportunistic Value Equity Composite: The Opportunistic Value Equity Composite includes taxable and nontaxable, discretionary, fee paying portfolios with a Value Equity strategy that may include U.S. companies, ADRs, and ETFs. Additionally, the strategy utilizes an opportunistic and dynamic cash allocation that ranges from 0% to 50% depending on perceived values within the equity universe. Portfolios with a minimum asset level of US $50,000 are included in the composite. This composite was created in November 2013. Each account within the Opportunistic Value Equity Composite is individually managed and as such allows for Client-Imposed mandates and restrictions. A list of composite descriptions is available upon request.

Fully-Invested Value Equity Composite: The Fully-Invested Value Equity Composite includes taxable and nontaxable, discretionary, fee paying portfolios with a Value Equity strategy that may include U.S. companies, ADRs and ETFs. Additionally, the strategy focuses on maintaining an equity weighting of greater than 90% (the strategy does not include cash). Portfolios with a minimum asset level of US $50,000 are included in the composite. This composite was created in November 2013. Each account within the Fully-Invested Value Equity Composite is individually managed and as such allows for Client-Imposed mandates and restrictions. A list of composite descriptions is available upon request.

Benchmarks: The primary benchmark is the Morningstar US Value TR Index, an unmanaged index that tracks the performance of those Morningstar US Value companies with lower price-to-book ratios and lower forecasted growth values. The secondary benchmark is the S&P 500 Total Return Index, an unmanaged broad-based measure of market performance. The benchmarks provided are for comparative purposes only to represent the investment environment during the time periods shown. The composite differs from the index content and asset allocation of the Morningstar US Value TR Index, an unmanaged index and the S&P 500 Index, also an unmanaged index.

Fees: Net-of-fees performance returns are calculated by deducting the actual management fee which ranges between 0.4% - 0.80% annually. The management fee for the composite ranges between 0.45% - 0.80% annually. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size. Valuations are computed and performance reported in U.S. dollars. As of January 2022, net-of-fees returns are calculated using the actual gross returns less 0.80% annual management fee applied on a monthly basis, though fee discounts are available depending on the account size.f